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TAGS: [EFIN](#) [ECON](#) [CVIS](#) [PGOV](#) [IZ](#)
SUBJECT: IRAQI BUDGET: "DIFFICULT YEAR" SAYS MINISTER OF
FINANCE

REF: A. BAGHDAD 643
[B](#). 2008 BAGHDAD 4005
[C](#). 2008 BAGHDAD 3537

Classified By: Economic Minister Counselor Marc Wall for reasons 1.4(b)
and (d)

[1](#)1. (C) Summary: Finance Minister Bayan Jabr told EMIN on March 16 that the USD 59 billion FY 2009 Budget as passed by the Council of Representatives was lower than the government had requested and that Iraq faces "a difficult year." Cuts to operational budgets are expected in every ministry. Jabr hopes to access some Central Bank of Iraq reserves for capital expenditures through the issuance of T-bills. Jabr said that he had just returned from IMF meetings in Amman and anticipates some sort of ongoing relationship with the IMF following the current Stand-By Arrangement. Funds for GE and Siemens generator purchases would be found in the capital expenditures budget, though this meant cutting other projects. More problematic is funding for Sons of Iraq (SOI) payments since the Council of Representatives had both cut funds from the SOI budget and reduced the overall operational budget by USD 4 billion. Tunisia and Iraq have fully resolved their USD 170 million sovereign debt; Iraq has agreed to pay Tunisia about USD 17 million in cash. Jabr plans on attending the Spring IMF/World Bank meetings in Washington provided his visa is issued in time for him to make plans. End summary.

[1](#)2. (C) Minister of Finance Bayan Jabr said that FY 2009 budget realities mean that Iraq faces a "difficult year," during a meeting with EMIN on March 16. The USD 59 billion budget that passed the Council of Representatives (CoR) called for IQD 5 trillion (USD 4 billion) cut from the government's spending proposal and Jabr was preparing for a March 17 Cabinet meeting that would decide where those cuts would be made. Jabr noted that the CoR was well within its constitutional rights to cut the budget and seemed resigned to having fewer funds to work with. Jabr anticipated that the Cabinet meeting would be contentious as each Minister attempted to defend its own spending priorities and plans. Reductions to Ministry of Interior and Ministry of Defense budgets would "leave the country in a dangerous position," he said, and he "hopes" to avoid making cuts to those ministries.

[1](#)3. (C) Jabr, who had just returned from meetings with International Monetary Fund officials in Amman, said that the IMF was "happy to hear there had been a reduction" to Iraq's budget. Jabr was joined at the meetings by Minister of Oil Shahrastani and Central Bank (CBI) Governor Shabibi. Together with the IMF, they recalculated Iraq's revenue assumptions in 2009 basing their expectations that Iraq would export 2 million barrels per day (mbd) at an average price of USD 38.5 per barrel. (Note: This would equal about USD 28 billion in oil revenue. Despite these calculations with IMF on revenue projections, the budget as passed still assumes oil revenues of USD 36.5 billion. End note.) Jabr said that despite the fact Iraq has yet to actually average exports of 2 mbd in 2009, Shahrastani has maintained this export target and his presence at the IMF meetings meant they had to use

his number.

¶4. (C) Jabr said that Iraq "must cooperate with the IMF" beyond the current Stand-By Arrangement (SBA) that is about to end. Whether this relationship would take the form of another SBA, which would require both Council of Ministers and CoR approval, or a memorandum of understanding, which would only require Council of Ministers approval, Jabr did not know -- but expects the relationship will continue. He has asked the IMF to come up with several different options Qhas asked the IMF to come up with several different options that he plans to discuss further during the April World Bank/IMF meetings in Washington, should he get a visa to enter the U.S. (Note: See paragraph 11. End note.)

¶5. (C) Jabr was also insistent that the IMF help convince CBI Governor Shabibi that Iraq did not need all of its USD 44 billion in CBI reserves to defend the Iraqi dinar. Jabr hopes that the CBI will issue "USD 2-4 billion" in T-bills that can be used to purchase generators that the Iraqi people need now. An amendment to the FY 2009 budget as passed by the CoR contains a provision (Article 46) that requires the government to get CoR approval for any bond or T-bill issuance. The CoR added this amendment after lobbying by Shabibi, "who wants to keep all the money in the CBI", he said. Jabr believes this amendment to be unconstitutional ("Does your Congress tell the Federal Reserve what to do?" he asked.) and is having the MoF's legal counsel draft a letter to that effect.

Money for GE and Siemens

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¶6. (C) Jabr said a CoR Budget amendment, Article 47, requiring the Ministry of Electricity to fund any expenses for GE and Siemens generators out of the MoE's budget was worded in such a way that it exceeded the CoR's constitutional budgetary powers. He has asked the CoR's Acting Speaker to reword the amendment, but would comply with the intent of this amendment by redirecting about 11 percent of the budget's investment (capital expenditures) allocation to the MoE to cover this USD 1.4 billion expenditure in 2009. "The money is there," he said.

Sons of Iraq Payments: Budgeted, but Underfunded

¶7. (C) Jabr said that the budget as proposed had about USD 190 million for payments to the Sons of Iraq and Awakening Councils. The budget, as passed by the CoR, however directs funding for the Awakening Councils and Sons of Iraq (SOI) from under the Prime Minister's office to the Ministry of Interior. The budget also redirects USD 85 million of these funds to the Committee for Implementing Article 140, leaving only about USD 105 million for paying SOI salaries. When asked whether the amount required could be fully funded, Jabr noted that the CoR had called for him to find USD 4 billion in cuts from the operating budget and protected salaries and other social welfare funds. This meant that there is very little money left to go around and that all areas of the budget were being cut. Moving funds from the SOI budget to the Article 140 Implementation Committee was a "Kurdish decision, that I have no right to question since it comes from the CoR and they are fully in their rights to transfer funds inside the budget," he said.

Tunisia Debt Done; Algeria and Morocco Next?

¶8. (C) Jabr said that he had delegated signing authority to the Iraqi Ambassador in Tunis and Iraq and Tunisia had finalized a debt agreement on March 9. He reported that the debt settled had amounted to USD 170 million and the terms of settlement were a single cash payment of USD 17 million.

(Note: In previous meetings (Ref B), Jabr had reported that Iraq owed Tunisia about USD 100 million. End note.) Jabr said that despite Iraq's budget problems, he was very pleased to pay cash to settle this debt with Tunisia as it would encourage other Arab countries to also forgive Iraq's debt. He noted that both Morocco and Algeria, following Tunisia's example, were now close to settlement as well.

"We are Not Going to Iran, Iran is Coming to Us"

¶9. (C) Returning to a common theme, Jabr again complained that Arab countries have been slow to come to Iraq's assistance. "Don't say we are going to Iran, we are not going to Iran. Iran is coming to us," he said. He contrasted Iranian assistance to Iraq, its soft loans, and good trade ties with the slow pace of progress and integration with its neighboring Arab countries such as Saudi Arabia and Egypt. "We want closer ties with Egypt, but they don't care. All of the Arab countries are watching and waiting for Saudi Arabia.

"Visa Delays For Ministers Don't Make Sense"

¶10. (C) Jabr complained about the length of time and uncertainty involved in applying for a U.S. visa. He said that while he understood there needed to be security checks, he has travelled to the U.S. many times. Jabr said that he was not going to make any plans to attend World Bank/IMF meetings in Washington until he had his visa in hand. He also noted that Minister of Oil Hussein Shahrastani was so Qalso noted that Minister of Oil Hussein Shahrastani was so "angry" at the U.S. visa process and delays that he has refused to go to the United States. Iraqi Ministers that are travelling on diplomatic visas should not have delays in applying to travel to the United States, he said.

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